



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
CUMBERLAND COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 2000

**EDWARD B. HATCHETT, JR.
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE CUMBERLAND COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

The Auditor of Public Accounts has completed the Cumberland County Fiscal Court audit for fiscal year ended June 30, 2000. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Cash balances increased by \$284,792 from the prior fiscal year, resulting in a cash balance of \$967,969 as of June 30, 2000. Revenues increased by \$315,765 from the prior year and disbursements increased by \$246,964.

Debt Obligations:

Total bonded debt principal as of June 30, 2000, was \$3,896,000. Future collections of \$3,703,258 are needed over the next 21 years to pay all bonded debt principal and interest.

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities or bonds.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Donna Thurman-Knight, Cumberland County Judge/Executive

Members of the Cumberland County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Cumberland County, Kentucky, as of June 30, 2000, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Cumberland County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Cumberland County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising primarily from cash transactions as of June 30, 2000, of Cumberland County, Kentucky, and the revenues received and expenditures paid the year then ended in conformity with the modified cash basis of accounting described above.

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Donna Thurman-Knight, Cumberland County Judge/Executive

Members of the Cumberland County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated June 5, 2001 on our consideration of Cumberland County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Cumberland County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.

Auditor of Public Accounts

Audit fieldwork completed -
June 5, 2001

CUMBERLAND COUNTY OFFICIALS

Fiscal Year Ended June 30, 2000

Fiscal Court Members:

Donna Thurman-Knight	County Judge/Executive
Thomas J. Brown	Magistrate
Frankie Sells	Magistrate
Lester K. Long	Magistrate
Dewey Earl Branham	Magistrate

Other Elected Officials:

Lindsey Bell	County Attorney
Floyd Branham	Jailer
Betty L. Hogan	County Clerk
Hazel Jones	Circuit Court Clerk
James Pruitt	Sheriff
Gina Watson	Property Valuation Administrator
Gary White	Coroner

Appointed Personnel:

Christine Smith	County Treasurer
Deborah Staley	Occupational Tax Collector
Shirley Scott	Finance Officer
Shirley Scott	Payroll Officer
Ricky Melton	Road Supervisor
Deborah Staley	Solid Waste Coordinator

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STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

CUMBERLAND COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2000

Assets and Other Resources

Assets

General Fund Type

General Fund:

Cash	\$ 88,924
Due from Jail Fund (Note 5)	14,084
Due from Grant Fund (Note 5)	1,697

Road and Bridge Fund:

Cash	100,040
Vulcan Materials - Funds Due (Note 6)	6,323

Jail Fund:

Cash	21,998
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Local Government Economic Assistance Fund:

Cash	9,152
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Fire Protection Fund:

Cash	5,507
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Grant Fund:

Cash	1,697
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Payroll Revolving Account - Cash	602	\$ 250,024
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Debt Service Fund Type

Voted Hospital Bond Fund:

Cash	\$ 53
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Cumberland Health Service Corporation Bond Fund:

Debt Retirement Account - Cash	114,111
Debt Service Account - Cash	147,764
Depreciation Reserve Account - Cash	147,769

409,697

Cumberland County-Burkesville Nursing Home Corporation Bond Fund:

Debt Retirement Account - Cash	\$ 78,631
Debt Service Account - Cash	153,703
Depreciation Reserve Account - Cash	87,835
Due from Debt Service Account (Note 5)	35,703
Cumberland Valley Manor, Inc. - Funds Due (Note 7)	4,462

360,334

Total Assets	\$ 1,020,055
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The accompanying notes are an integral part of the financial statements.

CUMBERLAND COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 2000
 (Continued)

Assets and Other Resources (Continued)

Other Resources

Debt Service Fund Type

Cumberland Health Services Corporation:

Amounts to be Provided in Future Years for Bond Payments \$ 2,356,889

Cumberland County-Burkesville Nursing Home Corporation:

Amounts to be Provided in Future Years for Bond Payments 1,346,369 \$ 3,703,258

Total Assets and Other Resources \$ 4,723,313

Liabilities and Fund Balances

Liabilities

General Fund Type

Jail Fund

Due to General Fund (Note 5) \$ 14,084

Grant Fund

Due to General Fund (Note 5) 1,697

Payroll Revolving Account - Cash 602 \$ 16,383

Debt Service Fund Type

Voted Hospital Bond Fund:

Paying Agent 53

Cumberland Health Services Corporation Bond Fund:

1992 Bonds Series Not Matured (Note 4A) 2,471,000

Cumberland County-Burkesville Nursing Home Corporation:

1977 Bond Series Not Matured (Note 4B) \$ 367,000

1981 Bond Series Not Matured (Note 4B) 262,000

1991 Bond Series Not Matured (Note 4B) 796,000 1,425,000

The accompanying notes are an integral part of the financial statements.

CUMBERLAND COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 2000
 (Continued)

Liabilities and Fund Balances (Continued)

Cumberland County-Burkesville Nursing Home Corporation:

Debt Service Reserve Account

Due to Depreciation Reserve Account (Note 5) \$ 35,703

Fund Balances

Reserved:

General Fund Type

Fire Protection Fund 5,507

Debt Service Fund Type

Cumberland Health Services Corporation:

Debt Service Account \$ 147,764

Depreciation Reserve Account 147,769

Cumberland County-Burkesville Nursing Home Corporation:

Debt Service Reserve Account 118,000

Depreciation Reserve Account 128,000 541,533

General Fund Type

General Fund \$ 104,705

Road and Bridge Fund 106,363

Jail Fund 7,914

Local Government Economic Assistance Fund 9,152 228,134

Total Liabilities and Fund Balances \$ 4,723,313

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

CUMBERLAND COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 2000

	General Fund Type			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 1,435,834	\$ 518,692	\$ 823,856	\$ 54,043
Transfers In	209,173	127,513	13	81,647
Kentucky Advance Revenue Program	211,520		211,520	
Lease-Rental Income	397,071			
Total Cash Receipts	<u>\$ 2,253,598</u>	<u>\$ 646,205</u>	<u>\$ 1,035,389</u>	<u>\$ 135,690</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 1,367,877	\$ 516,576	\$ 708,640	\$ 125,838
Transfers Out	209,173	81,660	127,513	
Bonds:				
Principal Paid	109,000			
Interest Paid	208,400			
Kentucky Advance Revenue Program Repaid	211,520		211,520	
Total Cash Disbursements	<u>\$ 2,105,970</u>	<u>\$ 598,236</u>	<u>\$ 1,047,673</u>	<u>\$ 125,838</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 147,628	\$ 47,969	\$ (12,284)	\$ 9,852
Cash Balance - July 1, 1999	<u>809,556</u>	<u>40,955</u>	<u>112,324</u>	<u>12,146</u>
Cash Balance - June 30, 2000	<u>\$ 957,184</u>	<u>\$ 88,924</u>	<u>\$ 100,040</u>	<u>\$ 21,998</u>

The accompanying notes are an integral part of the financial statements.

CUMBERLAND COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 Fiscal Year Ended June 30, 2000
 (Continued)

General Fund Type		
Local Government Economic Assistance Fund	Fire Protection Fund	Grant Fund
\$ 15,181	\$ 3,289	\$ 1,697
<u>\$ 15,181</u>	<u>\$ 3,289</u>	<u>\$ 1,697</u>
 \$ 14,242	 \$ 2,581	 \$
 <u>\$ 14,242</u>	 <u>\$ 2,581</u>	 <u>\$</u>
 \$ 939	 \$ 708	 \$ 1,697
<u>8,213</u>	<u>4,799</u>	
<u>\$ 9,152</u>	<u>\$ 5,507</u>	<u>\$ 1,697</u>

The accompanying notes are an integral part of the financial statements.

CUMBERLAND COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 Fiscal Year Ended June 30, 2000
 (Continued)

	Debt Service Fund Type		
	Voted Hospital Bond Fund	Cumberland Health Services Corporation Fund	
		Debt Retirement Account	Debt Service Account
<u>Cash Receipts</u>			
Schedule of Operating Revenue	\$	\$ 3,786	\$ 4,581
Transfers In			
Kentucky Advance Revenue Program			
Lease-Rental Income		181,425	20,340
Total Cash Receipts	\$	\$ 185,211	\$ 24,921
<u>Cash Disbursements</u>			
Comparative Schedule of Final Budget and Budgeted Expenditures	\$	\$	\$
Transfers Out			
Bonds:			
Principal Paid		55,000	
Interest Paid		126,300	
Kentucky Advance Revenue Program Repaid			
Total Cash Disbursements	\$	\$ 181,300	\$
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 0	\$ 3,911	\$ 24,921
Cash Balance - July 1, 1999	53	110,200	122,843
Cash Balance - June 30, 2000	\$ 53	\$ 114,111	\$ 147,764

The accompanying notes are an integral part of the financial statements.

CUMBERLAND COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
Fiscal Year Ended June 30, 2000
(Continued)

Corporation Fund	Debt Service Fund Type		
	Cumberland County- Home Corporation Fund	Burkesville Nursing Home Corporation Fund	
Depreciation Reserve Account	Debt Retirement Account	Debt Service Reserve Account	Depreciation Reserve Account
\$ 4,582	\$ 2,878	\$ 3,249	\$
20,340	146,996	17,040	10,930
\$ 24,922	\$ 149,874	\$ 20,289	\$ 10,930
\$	\$	\$	\$
	54,000		
	82,100		
\$	\$ 136,100	\$	\$
\$ 24,922	\$ 13,774	\$ 20,289	\$ 10,930
122,847	64,857	133,414	76,905
\$ 147,769	\$ 78,631	\$ 153,703	\$ 87,835

The accompanying notes are an integral part of the financial statements.

CUMBERLAND COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2000

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Cumberland County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14, management has included the Cumberland Health Services Corporation Bond Fund and the Cumberland County-Burkesville Nursing Home Corporation Bond Fund as part of the reporting entity.

Cumberland Health Services Corporation Bond Fund was established to finance property and equipment for the Cumberland County Hospital. The County entered into a contract with the management corporation of the hospital to provide rental payments to retire the related bonds. This relationship along with the fact the county has the authority to require the entity to maintain enough revenue to meet bond requirements which makes this a component unit of the county. The financial information of the component unit is blended within the financial statements.

Cumberland-Burkesville Nursing Home Corporation was established to finance property and equipment for the Cumberland Valley Manor Nursing Home. The County entered into a contract with the management corporation of the nursing home to provide rental payments to retire related bonds. This relationship along with the fact the county has the authority to require the entity to maintain enough revenue to meet bond requirements which makes this a component unit of the county. The financial information of the component unit is blended within the financial statements.

These preceding component units have not been included in the prior year audit. The beginning cash balance on the Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Balances have been restated to include these component units' beginning cash balances.

Additional - Cumberland County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

CUMBERLAND COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

The Kentucky constitution provides for election of the above officials from the geographic area constituting Cumberland County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Cumberland County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Cumberland County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund, Fire Protection Fund and the Grant Fund.

2) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and include funds for the Voted Hospital Bond Fund, the Cumberland Health Services Corporation Fund, and the Cumberland County-Burkesville Nursing Home Corporation Fund. Debt service is provided through annual transfers from the rental revenues in the amount of the debt service requirements for the year.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

CUMBERLAND COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Legal Compliance - Budget

The Cumberland County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Cumberland Health Services Corporation Bond Fund and the Cumberland County-Burkesville Nursing Home Corporation Bond Fund (Debt Service Funds) because bond indentures and other relevant contractual provisions require specific payments to and from these funds annually. The Department for Local Government does not require these funds to be budgeted.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Cumberland County Fiscal Court: Ambulance District, Library District, Soil Conservation District, Extension District, and Cumberland County Water District.

CUMBERLAND COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Joint Ventures

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based on these criteria, the Burkesville-Cumberland County Industrial Development Authority is a joint venture.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits and Investments

Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2000, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

CUMBERLAND COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 4. Long-Term Debt

A. Outstanding Mortgage Revenue Bonds Of The Cumberland Health Services Corporation Fund
Include The Following:

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
January 1, 2001	\$ 123,550	\$ 58,000
January 1, 2002	120,650	61,000
January 1, 2003	117,600	65,000
January 1, 2004	114,350	68,000
January 1, 2005	110,950	73,000
2006-2022	<u>1,111,150</u>	<u>2,146,000</u>
Totals	<u>\$ 1,698,250</u>	<u>\$ 2,471,000</u>

In 1992, the Hospital entered into a lease agreement and trust indenture with the Cumberland County Fiscal Court to pay principal and interest on the Series 1992 bond issue. The bonds mature serially through January 1, 2022, and require annual principal and interest payments at rates ranging from 5.25% to 6.75%. The bonds are collateralized by all revenues generated by the hospital. Under the terms of the lease agreement and trust indenture, the Hospital is required to maintain certain deposits with a trustee. The proceeds of the Mortgage Revenue Bonds, Series 1992 were used to finance the construction of an addition to Cumberland County Hospital.

B. Outstanding Mortgage Revenue Bonds Of The Cumberland County-Burkesville Nursing Home Corporation Fund Include The Following:

First Mortgage Revenue Bonds - Series 1977

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
January 1, 2001	\$ 18,350	\$ 15,000
January 1, 2002	17,600	16,000
January 1, 2003	16,800	17,000
January 1, 2004	15,950	18,000
January 1, 2005	15,050	19,000
2006-2016	<u>91,350</u>	<u>282,000</u>
Totals	<u>\$ 175,100</u>	<u>\$ 367,000</u>

CUMBERLAND COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 4. Long-Term Debt (Continued)

B. Outstanding Mortgage Revenue Bonds Of The Cumberland County-Burkesville Nursing Home Corporation Fund Include The Following: (Continued)

In 1977, the Cumberland Valley Manor Nursing Home entered into a lease agreement and trust indenture with the Cumberland County Fiscal Court and the City of Burkesville, Kentucky to pay principal and interest on the 1977 Series bond issue. The bonds mature serially through January 1, 2016, and require annual principal and interest payments at a rate of 5%. The bonds are secured by a Mortgage Deed of Trust dated as of January 1, 1976 by and between the Cumberland County-Burkesville Nursing Home Corporation and Citizens Fidelity Bank and Trust Company, Louisville, Kentucky, Trustee and by a lien on and a pledge of the rents, issues, profits and revenues derived from the operations of the Cumberland Valley Manor Nursing Home. Under the terms of the lease agreement and trust indenture, the Cumberland County-Burkesville Nursing Home Corporation is required to maintain certain deposits with a trustee. The proceeds of the Mortgage Revenue Bonds, Series 1977 were used to finance the construction of Cumberland Valley Manor Nursing Home.

Mortgage Revenue Bonds, Series 1981

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
January 1, 2001	\$ 13,100	\$ 21,000
January 1, 2002	12,050	22,000
January 1, 2003	10,950	23,000
January 1, 2004	9,800	24,000
January 1, 2005	8,600	25,000
2006-2010	22,700	147,000
Totals	<u>\$ 77,200</u>	<u>\$ 262,000</u>

CUMBERLAND COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 4. Long-Term Debt (Continued)

B. Outstanding Mortgage Revenue Bonds Of The Cumberland County-Burkesville Nursing Home Corporation Fund Include The Following: (Continued)

In 1981, the Cumberland Valley Manor Nursing Home entered into a lease agreement and trust indenture with the Cumberland County Fiscal Court and the City of Burkesville, Kentucky to pay principal and interest on the 1981 Series bond issue. The bonds mature serially through January 1, 2010, and require annual principal and interest payments at a rate of 5%. The annual principal and interest requirement are to be provided by an annual payment required by the contract, lease and option, dated January 1, 1981, to be made seventy percent (70%) by the county and thirty percent (30%) by the city. The Cumberland County-Burkesville Nursing Home Corporation leases the nursing home facilities to the county and city, which subleases the facilities to the Cumberland Valley Manor Inc. for the operation of the facilities. Under the terms of the Contract with the subleases the county and city are to ensure rents, issues, profits and revenues derived from the operations of the Cumberland Valley Manor Nursing Home are adequate for the operation of the facility and the necessary allowance for depreciation and the orderly retirement of the outstanding debt obligations and the accumulation of necessary reserves. Under the terms of the lease agreement and trust indenture, the Cumberland County-Burkesville Nursing Home Corporation is required to maintain certain deposits with a trustee. The proceeds of the Mortgage Revenue Bonds, Series 1981 were used to finance an addition and equipment for the Cumberland Valley Manor Nursing Home.

Mortgage Revenue Bonds, Series 1991

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
January 1, 2001	\$ 47,760	\$ 20,000
January 1, 2002	46,560	21,000
January 1, 2003	45,300	22,000
January 1, 2004	43,980	24,000
January 1, 2005	42,540	25,000
2006-2021	<u>397,980</u>	<u>684,000</u>
Totals	<u>\$ 624,120</u>	<u>\$ 796,000</u>

CUMBERLAND COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2000
 (Continued)

Note 4. Long-Term Debt (Continued)

B. Outstanding Mortgage Revenue Bonds Of The Cumberland County-Burkesville Nursing Home Corporation Fund Include The Following: (Continued)

In 1991, the Cumberland Valley Manor Nursing Home entered into a lease agreement and trust indenture with the Cumberland County-Burkesville Nursing Home Corporation, Cumberland County Fiscal Court and the City of Burkesville, Kentucky to pay principal and interest on the 1991 Series bond issue. The bonds mature serially through January 1, 2021, and require annual principal and interest payments at a rate of 6%. The annual principal and interest requirement are to be provided by an annual payment from rental payments. The Cumberland County-Burkesville Nursing Home Corporation leases the nursing home facilities to the county and city, which subleases the facilities to the Cumberland Valley Manor Inc. for the operation of the facilities. Under the terms of the Contract with the Corporation, County, City and Cumberland Valley Manor, Inc. (the sublease), the county and city are to ensure rents, issues, profits and revenues derived from the operations of the Cumberland Valley Manor Nursing Home are adequate for the operation of the facility and the necessary allowance for depreciation and the orderly retirement of the outstanding debt obligations and the accumulation of necessary reserves. Under the terms of the lease agreement and trust indenture, the Cumberland County-Burkesville Nursing Home Corporation is required to maintain certain deposits with a trustee. The proceeds of the Mortgage Revenue Bonds, Series 1991 were used to finance the expense incident to constructing improvements to the existing nursing home facility and the expenses incident to the authorization and sale of the bonds.

Note 5. Amounts Due To And Due From Other Funds

Due To General Fund From Jail Fund	\$	14,084
Due To General Fund From Grant Fund		1,697
Due To Depreciation Reserve Account		
From Debt Service Account		<u>35,703</u>
Total	\$	<u><u>51,484</u></u>

Note 6. Overpayment To Vulcan Materials

The county overpaid Vulcan Materials \$6,323 and received a refund July 3, 2000. As of June 30, 2000, these funds were due to the county.

CUMBERLAND COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2000
 (Continued)

Note 7. Balances in Depreciation and Debt Reserve Account

Under the terms of the lease agreement and trust indenture, the Cumberland County-Burkesville Nursing Home Corporation is required to maintain certain deposits with a trustee.

Depreciation Reserve and Debt Reserve Accounts	June 30, 2000
1977 Issue:	
Initial Deposit	\$ 10,000
Reserve accounts	50,000
1981 Issue:	
Reserve accounts	60,000
1991 Issue	
Initial Deposit	10,000
Reserve Accounts	<u>116,000</u>
Total Amount of Required Deposits with Trustee	<u>\$ 246,000</u>

The Depreciation Reserve and Debt Reserve Accounts has cash of \$51,910 and certificates of deposits of \$189,628 for a total of \$241,538. An additional amount of \$4,462 should be deposited into these accounts by Cumberland Valley Manor, Incorporated to meet the debt reserve requirements.

Note 8. Closure and Postclosure Care Cost of Ferrill & Stockton Solid Waste Landfill

State and federal laws and regulations required Cumberland and Clinton County Fiscal Courts to place a final cover on its Municipal Solid Waste Landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for two years after closure. Closure and postclosure care costs have been paid as they were incurred after the date the landfill stopped accepting waste.

The original estimated cost of closure was \$52,999. This did not include manpower. These cost have been absorbed through the use of road fund equipment and personnel. This responsibility has been shared by both Cumberland and Clinton County. The counties were released from further groundwater monitoring September 22, 2000. The counties received a new permit February 16, 2001 extending the expiration date of their previous permit to September 6, 2002. The expected additional cost related to closure or postclosure care includes completing the requirements related to the final cap, which includes grading, fertilizing, and seeding. The counties anticipate these costs will be minor and will be provided for as part of the county's road fund budget and the Local Government Economic Assistance fund budget.

CUMBERLAND COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 9. Lease-Purchase Agreements

The county has entered into the following lease-purchase agreements:

Description	Purchase Date	Maturity Date	Interest Rate	Amount Due As of June 30, 2000
Copier	12/17/99	12/17/02	0.0%	\$ 5,813
Tractor/Mower	04/26/00	02/26/02	0.0%	35,219
Voting Machines	10/23/98	10/20/02	4.747%	21,096

Note 10. Insurance

For the fiscal year ended June 30, 2000, Cumberland County was a member of the Kentucky Association of Counties' All Lines Insurance Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

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COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

CUMBERLAND COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 2000

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 541,894	\$ 532,776	\$ (9,118)
Road and Bridge Fund	834,439	823,856	(10,583)
Jail Fund	133,838	39,959	(93,879)
Local Government Economic Assistance Fund	9,150	15,181	6,031
Fire Protection Fund	<u>2,760</u>	<u>3,289</u>	<u>529</u>
Totals	<u>\$ 1,522,081</u>	<u>\$ 1,415,061</u>	<u>\$ (107,020)</u>

Reconciliation

Total Budgeted Operating Revenue Above	\$ 1,522,081
Add: Budgeted Prior Year Surplus	178,757
Less: Other Financing Uses	<u>(211,520)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures	<u>\$ 1,489,318</u>

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SCHEDULE OF OPERATING REVENUE

CUMBERLAND COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 2000

GOVERNMENTAL FUND TYPE

<u>Revenue Categories</u>	<u>General Fund Type</u>
Taxes	\$ 293,633
In Lieu Tax Payments	17,302
Excess Fees	19,828
License and Permits	4,034
Intergovernmental Revenues	977,712
Charges for Services	240
Miscellaneous Revenues	82,830
Interest Earned	<u>19,482</u>
Total Operating Revenue	<u><u>\$ 1,415,061</u></u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

CUMBERLAND COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2000

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 476,047	\$ 342,291	\$ 133,756
Protection to Persons and Property	37,073	145,879	(108,806)
General Health and Sanitation	16,840	21,313	(4,473)
Social Services	300	300	
Recreation and Culture	800	800	
Roads	646,715	639,492	7,223
Debt Service	20,268	20,291	(23)
Capital Projects	51,026	2,849	48,177
Administration	240,249	194,662	45,587
Total Operating Budget - All General Fund Types	\$ 1,489,318	\$ 1,367,877	\$ 121,441
Other Financing Uses:			
Borrowed Money-			
Kentucky Advanced Revenue Program - Principal	211,520	211,520	
TOTAL BUDGET - ALL GENERAL FUND TYPES	<u>\$ 1,700,838</u>	<u>\$ 1,579,397</u>	<u>\$ 121,441</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Donna Thurman-Knight, Cumberland County Judge/Executive

Members of the Cumberland County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Cumberland County, Kentucky, as of and for the year ended June 30, 2000, and have issued our report thereon dated June 5, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Cumberland County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cumberland County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
June 5, 2001

CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

CUMBERLAND COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC PROGRAM
CUMBERLAND COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

The Cumberland County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name

County Judge/Executive



Name

County Treasurer